

Standard

STANDARD BROADCASTING CORPORATION LIMITED

Items - - - - -	303	3,089	2,716
Extraordinary items -- net of tax	(101)	—	—
Net earnings for the year - - -	\$ 3,202	\$ 3,089	\$ 2,716
Dividends paid -- regular - - -	\$ 2,139	\$ 1,630	\$ 1,401
-- special - - -	—	562	561
Earnings Per Share (based on number of shares outstanding at end of year)			
--Before extraordinary items	\$.587	\$.549	\$.48
--Net earnings for the year -	.569	.549	.48

-73
REPORT
MARCH 31, 1973

STANDARD BROADCASTING CORPORATION LIMITED 1972-3

Directors

Alex E. Barron
George Montegu Black, Jr.
T. N. Beaupré
G. Allan Burton, D.S.O., E.D.
W. C. Thornton Cran, F.C.A.
Pierre P. Daigle
W. Leo Knowlton, Q.C.
A. Bruce Matthews, C.B.E., D.S.O., E.D.
John A. McDougald
Maxwell C. G. Meighen, O.B.E.

Officers

Chairman of the Board, John A. McDougald
President, W. C. Thornton Cran
Vice-President, Donald H. Hartford
Vice-President, Hollis T. McCurdy
Vice-President, R. R. Moody
Vice-President, J. Lyman Potts
Vice-President Finance, Secretary and
Treasurer, J. M. Packham, C.A.
Assistant Treasurer, Mrs. M. M. MacRae

Transfer agent and registrar

Crown Trust Company, Toronto and Montreal

Auditors

Coopers & Lybrand
Chartered Accountants, Toronto

Bankers

Canadian Imperial Bank of Commerce
The Royal Bank of Canada
The Bank of Montreal

Subsidiary companies

CFRB Limited, Toronto
CJAD Limited, Montreal
Standard Broadcast Sales Company Limited, Toronto
and Montreal
Canadian Standard Broadcast Sales Inc., New York
Standard Broadcast Productions Limited, Toronto
Standard Sound Systems Company Limited, Montreal
Standard Broadcasting Realty Limited, Toronto
Standard Broadcasting Corporation (U.K.) Limited,



COMPARATIVE HIGHLIGHTS

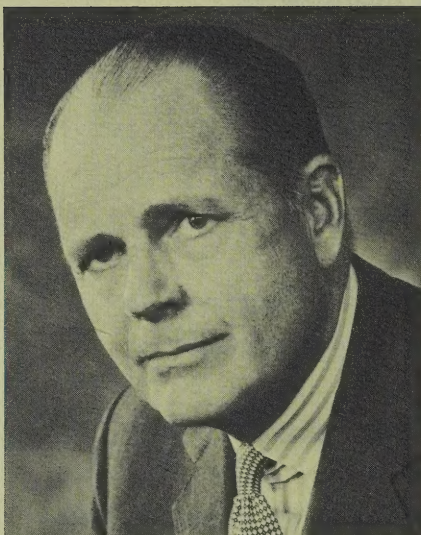
	1973	1972
Gross revenue - - - - -	\$14,128,862	\$13,183,045
Depreciation and amortization - - - - -	323,191	295,808
Operating profit - - - - -	5,976,890	5,742,538
Income from investments - - - - -	433,167	347,645
Income taxes - - - - -	3,106,900	3,001,100
Net earnings — before extraordinary item - - - - -	3,303,157	3,089,083
— after extraordinary item - - - - -	3,202,351	3,089,083
Dividends - - - - -	2,139,018	2,192,022
Number of shares outstanding - - - - -	5,629,500	5,624,500
Number of shareholders - - - - -	1,975	2,052
Earnings per share — before extraordinary item - - - - -	.587	.549
— after extraordinary item - - - - -	.569	.549
Dividends per share — regular - - - - -	.38	.29
— special - - - - -	—	.10
Working Capital - - - - -	\$10,042,013	\$ 8,914,395

TEN-YEAR COMPARATIVE STATEMENT OF EARNINGS

(000 omitted)

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Gross revenue - - - - -	\$14,129	\$13,183	\$12,929	\$12,147	\$10,661	\$8,984	\$7,615	\$6,523	\$5,769	\$5,338
Operating costs and expenses	7,829	7,145	7,434	7,130	6,119	5,268	4,504	3,825	3,397	3,297
Depreciation and amortization	323	296	308	363	272	262	260	261	263	347
Operating profit - - - - -	5,977	5,742	5,187	4,654	4,270	3,454	2,851	2,437	2,109	1,694
Income from investments - - -	433	348	476	464	370	301	196	127	82	70
	6,410	6,090	5,663	5,118	4,640	3,755	3,047	2,564	2,191	1,764
Provision for income taxes - -	3,107	3,001	2,947	2,654	2,513	1,951	1,564	1,341	1,122	917
Earnings before extraordinary items - - - - -	3,303	3,089	2,716	2,464	2,127	1,804	1,483	1,223	1,069	847
Extraordinary items — net of tax	(101)	—	—	—	163	115	—	46	—	—
Net earnings for the year - - -	\$ 3,202	\$ 3,089	\$ 2,716	\$ 2,464	\$ 2,290	\$1,919	\$1,483	\$1,269	\$1,069	\$ 847
Dividends paid — regular - - -	\$ 2,139	\$ 1,630	\$ 1,401	\$ 1,175	\$ 697	\$ 471	\$ 402	\$ 339	\$ 274	\$ 215
— special - - - - -	—	562	561	—	—	557	—	—	—	—
Earnings Per Share (based on number of shares outstanding at end of year)										
—Before extraordinary items \$	.587	\$.549	\$.484	\$.440	\$.381	\$.324	\$.272	\$.227	\$.199	\$.158
—Net earnings for the year -	.569	.549	.484	.440	.410	.345	.272	.235	.199	.158

REPORT TO THE SHAREHOLDERS



Chairman of the Board
JOHN A. McDOUGALD



President
W. C. THORNTON CRAN

This is our 48th Annual Report and covers the year ended March 31, 1973. Your Directors are delighted to present results of the best year in the history of your Company.

Earnings of \$3,303,157 (before extraordinary item) were 7% over the previous year. Earnings per share were 58.7¢ compared with 54.9¢ for the previous year. After charging the extraordinary item, net earnings per share were 56.9¢.

In October, 1972, the annual dividend rate was increased to 40¢ per share. As at 31st March, 1973, the bookings ahead of your Company's four radio stations were higher than the corresponding figure for the last year, notwithstanding the current trend for national advertisers to book for shorter length campaigns.

CFRB

This station has continued in its dominant position in the growing Toronto market area. With excellent staff and management CFRB is continually making efforts to improve its programming and increase its audience. The sales of CFRB for the year under review exceeded their budget and the forecasts which have been prepared for 1973-74 provide for a further increase. Expenses continued to increase but were kept close to the budgeted figures for the past year. CFRB's net profit for the past year increased substantially.

CKFM

This station showed material increases in revenue during the year under review and has continued its progress in establishing itself as one of Canada's most successful radio broadcasters. We are continuing to add to and improve the programming content of this station as your Directors consider that the growth potential of this station is excellent.

Just recently the CRTC produced a White Paper on possible FM Regulations which is being closely studied by your management. Our interpretation of the proposals of the Authority, if enacted in their present form, is that they would affect the success and future growth of CKFM less than the majority of FM stations in Canada.

CJAD

The Montreal radio market in general suffered a set-back for two months last summer and as a result the sales of CJAD for the year under review fell short of their target. However, for the past six months revenues improved and by the year end had made up much of the earlier shortfall. Management is again forecasting an increase in sales for the coming year. CJAD once again led in prime time audience surveys in the Montreal Metropolitan area. However, our Montreal FM outlet, CJFM, has still to attain the audience we expect of it and, as a result, its sales for the year under review were directly comparable with the prior year.

Standard Broadcast Sales Company Limited

This subsidiary continued to be a highly successful operation and showed an increase in net profit over the previous year. Our U.S. subsidiary, Canadian Standard Broadcast Sales Inc., continued its satisfactory operation with considerable increased billings for the CBC and independently-owned Canadian TV stations.

MUZAK

Your subsidiaries Standard Sound Systems Company Limited and Functional Music SSS Limited (Musique Fonctionnelle SSS Limitée) were put under new management early in the year under review, with successful results. This operation made a modest increase in its contribution to our consolidated profit for last year and is budgeting for a more material increase in the forthcoming year.

Standard Broadcast Productions Limited

This Company had another successful year in operating the Standard Broadcast News Service and the number of news items from Ottawa, across Canada and Overseas showed an increase. For the first year our publishing companies started to receive revenue from the performing rights and mechanical rights which they own. The Canadian Talent Library (which we continue to operate as a non-profit trust) is now subscribed to by more than 230 stations.

Other Activities

The year under review saw the commencement of granting of commercial broadcasting licenses in the United Kingdom. Standard Broadcasting Corporation (U.K.) Limited was a consultant to, and a minority shareholder of, one of the eight applicants for the London general entertainment station. Unfortunately, this applicant was not successful but we are continuing our efforts to participate in this new field. Meanwhile your Directors have written off as an extraordinary item of expense the whole of the costs to date of the U.K. activities.

You are also undoubtedly aware from recent press announcements that your Company acquired an option to purchase not less than 51% nor more than 55% of the outstanding shares of Bushnell Communications Limited. This Company operates CJOH-TV in Ottawa, with repeater stations in Cornwall and Deseronto and has a substantial interest in cable systems in Ottawa and Hull. It transpired that the vendor and present owner of these shares, Western Broadcast Holdings Ltd., was unsuccessful in providing us with the opportunity to make the investigations we normally insist upon, particularly in a transaction of this magnitude. In the circumstances your Company decided on the 3rd of May to relinquish the option. Western Broadcast Holdings are still subject to a directive from the CRTC to dispose of these shares and the matter may come up for future negotiation.

Standard Broadcasting Realty Limited

An application is now before the local Authority to rezone 30 acres of our land for the purposes of the construction of a shopping centre. Favourable response was obtained from a number of potential tenants and as soon as the rezoning has been obtained your Directors propose to proceed with this development.

Pension Plan

Our actuaries report that the Company's Pension Plan was fully funded as at 31st March, 1973.

Management

Mr. H. T. McCurdy is the Senior Vice-President in your Company's management and it is proposed to nominate

him as a Director of your Company at the Annual Meeting of shareholders to be held on June 27, 1973. To facilitate this, it will be necessary to increase the number of your Board of Directors.

Mr. Alex Oulianine was appointed President of Standard Sound Systems Company Limited and Functional Music SSS Limited (Musique Fonctionnelle SSS Limitée). Mr. Oulianine brings with him many years experience in the Muzak business having been formerly a vice-president of the Muzak Corporation in New York.

Outlook

Once again, we are happy to state that the 1973-74 outlook for the Standard Group appears favourable.

For many years our Annual Report has closed with a special note of thanks to those engaged in the operations of the Company and its various divisions and we take this opportunity to do so again this year. The sustained enthusiasm and efficiency which all members of the staff, artists and freelance announcers bring to their duties has contributed in very large measure to the achievement of the most successful year in the history of the Company, which is now in its 49th year. The continued loyal support which our stations received from their audiences and sponsors is most gratifying and is appreciated by all the members of our organization.

John A. McDougald
Chairman of the Board

W. C. Thornton Cran
President

May 18, 1973.



STANDARD BROADCASTING CORPORATION LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET

Assets

CURRENT	1973	1972
Cash - - - - -	\$ 231,964	\$ 203,426
Short-term investments – at cost - - - - -	8,728,002	7,713,594
Accounts receivable - - - - -	2,509,180	2,261,547
Prepaid expenses and other assets - - - - -	231,066	253,198
	<u>11,700,212</u>	<u>10,431,765</u>
OTHER INVESTMENTS – at cost - - - - -	339,000	339,000
DEFERRED INCOME TAXES - - - - -	16,100	60,400
FIXED – at cost		
Buildings and equipment - - - - -	4,918,470	4,764,952
Accumulated depreciation - - - - -	2,994,952	2,843,330
	<u>1,923,518</u>	<u>1,921,622</u>
Leasehold improvements, less amortization - - -	218,286	229,444
Land (including deferred development costs of \$21,740) - - - - -	510,559	336,184
	<u>2,652,363</u>	<u>2,487,250</u>
INTANGIBLE		
Franchise – at cost - - - - -	531,000	531,000
	<u>\$15,238,675</u>	<u>\$13,849,415</u>

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Standard Broadcasting Corporation Limited and subsidiary companies as at March 31, 1973 and the consolidated statements of earnings, reinvested earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

INCOME SHEET

as at March 31, 1973

Liabilities

CURRENT	1973	1972
Accounts payable and accrued liabilities - - -	\$ 482,017	\$ 504,181
Income taxes - - - - -	613,232	779
Dividends - - - - -	562,950	1,012,410
	<u>1,658,199</u>	<u>1,517,370</u>
DEFERRED COMPENSATION PAYABLE - - -	631,560	491,400
	<u>2,289,759</u>	<u>2,008,770</u>
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized -		
10,000,000 common shares without nominal or par value		
Issued and fully paid -		
5,629,500 shares (1972 - 5,624,500 shares) -	1,260,455	1,215,517
Reinvested earnings - - - - -	11,688,461	10,625,128
	<u>12,948,916</u>	<u>11,840,645</u>

See accompanying notes.

Signed on behalf of the Board:	<u>\$15,238,675</u>	<u>\$13,849,415</u>
JOHN A. McDOUGALD		
W. C. THORNTON CRAN		
Directors		

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As explained in note 7, our report on the preceding year's financial statements was qualified in respect of a charge to reinvested earnings.

COOPERS & LYBRAND
Chartered Accountants

Toronto, Ontario, May 14, 1973.

CONSOLIDATED STATEMENT OF EARNINGS

	For the year ended March 31	
	1973	1972
GROSS REVENUE - - - - -	\$14,128,862	\$13,183,045
Talent fees, salaries and wages of employees, inclusive of fringe benefits - - - - -	4,590,263	4,154,067
Other operating costs and expenses - - - - -	3,238,518	2,990,632
Depreciation and amortization - - - - -	323,191	295,808
	8,151,972	7,440,507
OPERATING PROFIT - - - - -	5,976,890	5,742,538
INCOME FROM INVESTMENTS - - - - -	433,167	347,645
	6,410,057	6,090,183
PROVISION FOR INCOME TAXES		
Current - - - - -	3,062,600	2,971,200
Deferred - - - - -	44,300	29,900
	3,106,900	3,001,100
EARNINGS BEFORE EXTRAORDINARY ITEM - - - - -	3,303,157	3,089,083
EXTRAORDINARY ITEM		
Development and option expenses - - - - -	100,806	—
NET EARNINGS FOR THE YEAR - - - - -	\$ 3,202,351	\$ 3,089,083
EARNINGS PER SHARE		
Before extraordinary item - - - - -	58.7¢	54.9¢
Extraordinary item - - - - -	1.8¢	—
Net earnings for the year - - - - -	56.9¢	54.9¢

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

	For the year ended March 31	
	1973	1972
BALANCE — BEGINNING OF YEAR - - - - -	\$10,625,128	\$10,229,252
Special payment for funding past service pension benefits, less income taxes applicable thereto of \$499,580 - - -	—	501,185
	10,625,128	9,728,067
NET EARNINGS FOR THE YEAR - - - - -	3,202,351	3,089,083
	13,827,479	12,817,150
DIVIDENDS		
Regular - - - - -	2,139,018	1,629,572
Special - - - - -	—	562,450
	2,139,018	2,192,022
BALANCE — END OF YEAR - - - - -	\$11,688,461	\$10,625,128

See accompanying notes.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

For the year ended March 31

1973

1972

SOURCE OF WORKING CAPITAL

Net earnings for the year - - - - -	\$ 3,202,351	\$3,089,083
Items not requiring cash outlay -		
Deferred compensation - - - - -	140,160	163,800
Depreciation and amortization - - - - -	323,191	295,808
Deferred income taxes - - - - -	44,300	29,900
Loss on sale of fixed assets - - - - -	15,126	—
Provided from operations - - - - -	3,725,128	3,578,591
Proceeds from sale of fixed assets - - - - -	21,764	15,741
Proceeds from issue of shares under option - - - - -	44,938	95,077
	<u>3,791,830</u>	<u>3,689,409</u>

USE OF WORKING CAPITAL

Deferred income taxes recovered - - - - -	—	26,100
Past service pension payment, less income taxes - - - - -	—	501,185
Additions to fixed assets - - - - -	525,194	608,041
Dividends - - - - -	2,139,018	2,192,022
	<u>2,664,212</u>	<u>3,327,348</u>

INCREASE IN WORKING CAPITAL - - - - -	1,127,618	362,061
WORKING CAPITAL - BEGINNING OF YEAR - - - - -	8,914,395	8,552,334
WORKING CAPITAL - END OF YEAR - - - - -	<u>\$10,042,013</u>	<u>\$8,914,395</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the year ended March 31, 1973

1. Principles of Consolidation

These consolidated financial statements include the accounts of Standard Broadcasting Corporation Limited and all of its subsidiaries.

2. Extraordinary Item

During the year the company wrote off the full amount of development expenses to date relating to activities in the United Kingdom as well as option monies expended principally with a view to securing control of a major communications company in Canada. These expenses, \$100,806 in total, amount to 1.8¢ for each share outstanding at March 31, 1973.

3. Stock Options

During the year 5,000 shares were issued for \$44,938 cash upon exercise of stock options granted in previous years. Options to purchase 56,500 shares at \$15.25 per share were granted during the year. All options are issued at the market price on the date granted. There would be no material dilutive effect upon earnings should all options be exercised.

The following stock options are outstanding at March 31, 1973:

<u>Expiry date</u>	<u>Officers</u>	<u>Key employees</u>	<u>Option price</u>
November 1973	2,000	—	\$12.50
December 1973	21,000	34,500	\$15.25
March 1974	8,500	11,600	\$12.00
	<u>31,500</u>	<u>46,100</u>	

There are 117,900 shares reserved for future options.

4. Remuneration of Directors and Officers

Remuneration and fees paid to the ten directors of the company as directors totalled \$10,000.

Remuneration of eight officers (two of whom are also directors) totalled \$338,491 of which \$191,908 was paid by subsidiaries.

5. Deferred Compensation Plan

The company has an obligation under a deferred compensation plan for certain executives. This obligation is being charged against operations over the five-year period ending March 31, 1974.

6. Long-Term Leases

At March 31, 1973, the company was obligated under long-term leases to pay maximum annual rent of approximately \$195,000. The company has no obligation under these leases beyond the year 1990.

7. Reinvested Earnings

In 1972 the company's pension plan was substantially revised. The total cost of \$1,000,765 to fund the resulting liability for past service benefits was paid in one lump sum. Management considered it preferable (and more conservative) to treat this cost, less applicable income taxes, as a charge against reinvested earnings.

However, the Canadian Institute of Chartered Accountants recommends that past service costs be charged against future operations over a reasonable period of years. Accordingly, the auditors' report to the shareholders for the year ended March 31, 1972 contained a qualification that the company's treatment of past service pension costs was not in accordance with generally accepted accounting principles.

8. Contingent Liabilities

A subsidiary of the company has agreed to guarantee borrowings by a third party up to \$500,000 for the purchase of land. To date the guarantee, which expires December 31, 1974, has not been required.

9. 1972 Comparative Figures

Certain comparative figures have been reclassified to conform to the 1973 presentation.

SUBSIDIARY COMPANIES — SENIOR MANAGEMENT

CFRB Limited

Chairman of the Board - - - - W. C. Thornton Cran
 President - - - - - D. H. Hartford
 Vice-President Programming —
 CFRB - - - - - D. W. Insley
 Vice-President Sales - - - - P. J. Hurley
 Vice-President Advertising - - - G. F. Maccabe
 Vice-President Engineering - - - G. C. Eastwood
 Vice-President &
 Station Manager — CKFM - - - W. R. Ballentine
 Vice-President Sales — CKFM - - R. Purves
 Vice-President Finance,
 Secretary and Treasurer - - - P. F. Searle, C.A.
 Assistant Treasurer - - - - Mrs. M. M. MacRae

CJAD Limited

President - - - - - H. T. McCurdy
 Vice-President Programming - - - W. F. Hambly
 Vice-President Sales - - - - J. B. Bartrem
 Vice-President Finance - - - - J. M. Packham
 Vice-President,
 Secretary and Treasurer - - - J. A. Magnan
 Assistant Treasurer - - - - Miss Y. L. Meunier

Standard Broadcast Sales Company Limited

President - - - - - R. R. Moody
 Vice-President &
 General Manager — Toronto - - A. W. Stinson
 Vice-President &
 General Manager — Montreal - - R. L. Nason
 Vice-President - - - - - K. F. Ussel
 Director of Research - - - - D. O'Neill

Canadian Standard Broadcast Sales Inc.

President - - - - - F. A. Roberts
 Vice-President - - - - - R. O'Connor

Standard Broadcast Productions Limited

President - - - - - J. L. Potts
 Vice-President - - - - - M. B. Thompson

Standard Sound Systems Company Limited

President - - - - - Alex Oulianine
 Vice-President &
 Assistant Manager - - - - W. Bidler
 Nova Scotia Manager - - - - R. Bailey
 New Brunswick Manager - - - - R. Black



